

Dennis C. Prouty
Director
515/281-5279
dennis.prouty@legis.state.ia.us

**STATE OF IOWA
LEGISLATIVE FISCAL BUREAU**

State Capitol
Des Moines, Iowa
50319

MEMORANDUM



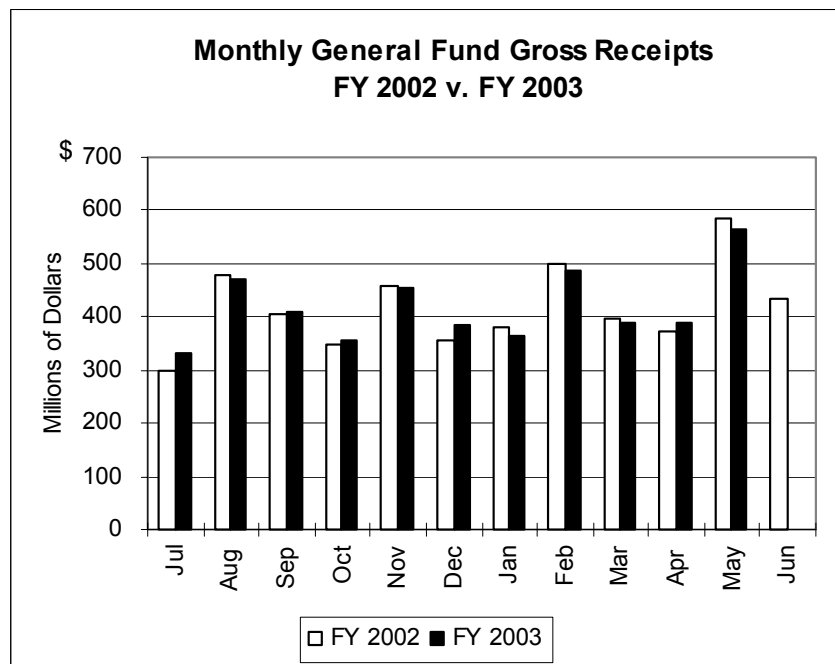
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Dennis C. Prouty

DATE: June 2, 2003

Monthly General Fund Receipts through May 31, 2003

The attached spreadsheet presents total FY 2003 monthly General Fund receipts, with comparable figures for actual FY 2002. These figures can be compared to the FY 2003 estimate (\$5.034 billion) set by the Revenue Estimating Conference (REC) on April 9, 2003. The estimate represents an increase of \$26.6 million (0.5%) compared to actual FY 2002 gross cash receipts (excluding transfers). The date for the next REC meeting has not been set.



FY 2003 Compared to FY 2002

Year-to-date FY 2003 total gross revenues (excluding transfers) have increased \$26.3 million (0.6%) compared to the same time period of FY 2002. Major revenue sources contributing to the change include:

- Income withholding tax payments (positive \$75.7 million)
- Income tax estimate payments (negative \$24.1 million)
- Income tax payments with returns (negative \$11.7 million)
- Corporate tax payments (positive \$19.2 million)
- Inheritance tax (negative \$12.6 million)
- Veteran's Home net budgeting (negative \$27.4 million)
- Sales & use tax (positive \$10.2 million)

Overall, year-to-date revenues are above the level projected by the REC in April, with all significant revenue sources with the exceptions of inheritance and insurance premium tax at or above projections.

May FY 2003 total gross revenues (excluding transfers) decreased \$20.3 million (- 3.5%) compared to May 2002. The decrease was due to May 31 falling on a weekend in 2003, combined with reduced inheritance and insurance tax receipts. The drop in insurance tax revenue is likely a timing issue as June 1 is an insurance premium tax due date.

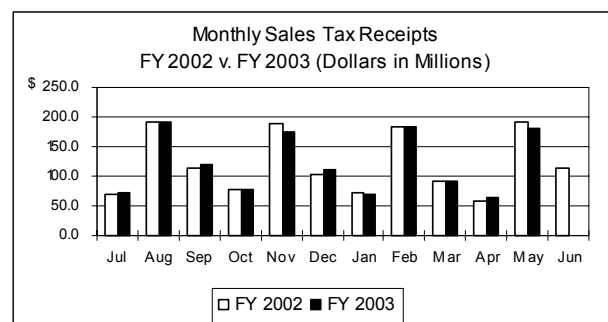
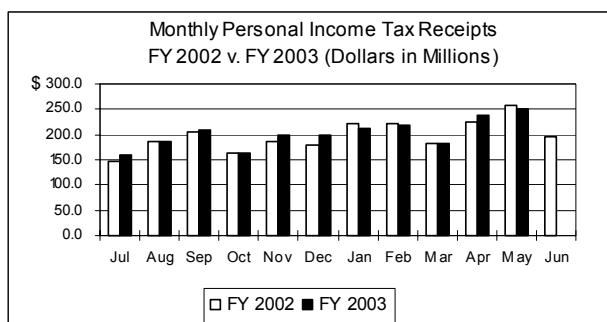
Personal income tax revenues received in May totaled \$251.0 million, a decrease of \$7.0 million (- 2.7%) compared to May 2002.

The State tracks personal income tax in three sub-categories.

- During the month of May, withholding tax payments decreased \$2.6 million (- 1.4%).
- Income tax receipts from quarterly estimate payments decreased \$1.1 million (- 7.1%).
- Income tax payments with tax returns decreased \$3.3 million (- 5.7%).

The FY 2003 REC income tax estimate of \$2.411 billion represents a projected increase of 1.7% compared to actual FY 2002. The year-to-date change in personal income tax receipts is 1.8% through May.

The following Chart compares FY 2003 monthly personal income tax receipts from all three sub-categories with FY 2002.



Sales tax receipts received in May totaled \$180.4 million, a decrease of \$11.3 million (- 5.9%) compared to May 2002.

The REC estimate for FY 2003 sales tax receipts is \$1.457 billion, which represents an increase of 0.3% compared to actual FY 2002. The year-to-date growth in sales tax receipts is - 0.0%.

The preceding Chart compares FY 2003 monthly sales tax receipts with FY 2002.

Use tax receipts received in May totaled \$30.2 million, an increased of \$4.5 million (17.6%) compared to May 2002.

The REC estimate for FY 2003 use tax receipts is \$243.3 million, which represents an increase of 2.0% compared to actual FY 2002. The year-to-date growth in use tax receipts is 4.7%.

Corporate tax receipts received in May totaled \$28.1 million, an \$8.0 million increase (39.8%) compared to May 2003.

The REC estimate for FY 2003 corporate tax receipts is \$236.2 million, which represents an increase of 6.8% compared to actual FY 2002. The year-to-date growth in corporate sales tax receipts is 10.2%.

Insurance premium tax receipts received through May are \$5.7 million (- 5.5%) below FY 2002. Adjusted for the withdrawal of \$10.0 million in March for the Student Achievement and Teacher Quality Program of the Department of Education, this revenue source is \$4.3 million above FY 2002. The insurance premium tax rate reduction and associated acceleration of tax pre-payments (SF 2318 – Insurance Tax Reduction Act of 2002) will not impact General Fund receipts until late June 2003. Insurance premium tax receipts will appear \$10.0 million lower than is actually the case until the end of June or early July.

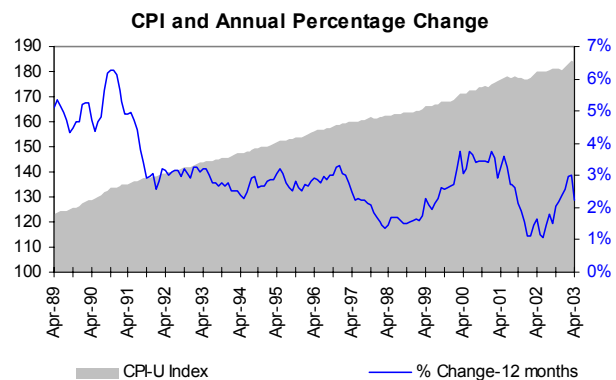
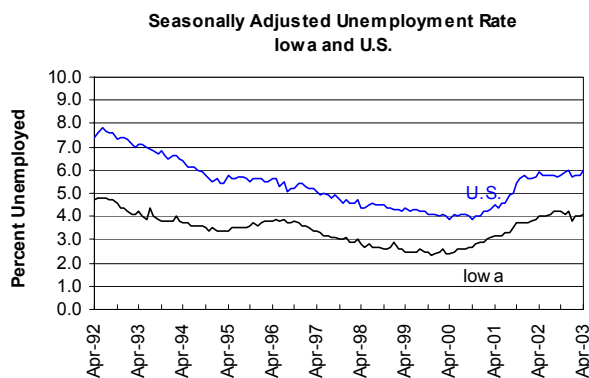
Status of the Economy

The April seasonally adjusted Iowa civilian unemployment rate was 4.1%, up from the March 2003 rate of 4.0%. The Iowa unemployment rate for April 2002 was 4.0%. Iowa's total adjusted April employment registered at 1,574,400, down 21,000 from last year's level. The number of unemployed persons in Iowa was recorded at 68,100 in April, an increase of 2,100 compared to last year's level.

The U.S. unemployment rate in February was 6.0%, 1.9 percentage points above the Iowa rate. The U.S. rate one year ago was 5.9%.

Consumer prices decreased 0.22% during the month of April (not seasonally adjusted). The Consumer Price Index (CPI-U) through April 2003 was 183.8 (1983/84=100), 2.2% higher than one year ago.

The following charts illustrate Consumer Price Index and U.S./Iowa unemployment comparisons through April.



Information related to State General Fund receipts is available on the Legislative Fiscal Bureau's web site at: <http://staffweb.legis.state.ia.us/lfb/revdebt.htm>.

GENERAL FUND RECEIPTS - FY 2002 vs. FY 2003 July 1 through May 31, in millions of dollars Dollars may not add due to rounding					ESTIMATED GENERAL FUND RECEIPTS in millions of dollars FY 02 Actual Compared to FY 03 REC Estimate		
	FY 2002	FY 2003	Year to Date % CHANGE	May % CHANGE	Actual FY 2002	Estimate FY 2003	Projected % CHANGE
Personal Income Tax	\$ 2,175.6	\$ 2,215.5	1.8%	-2.7%	\$ 2,372.1	\$ 2,411.4	1.7%
Sales Tax	1,337.8	1,337.2	0.0%	-5.9%	1,453.0	1,457.2	0.3%
Use Tax	228.3	239.0	4.7%	17.6%	238.5	243.3	2.0%
Corporate Income Tax	187.7	206.9	10.2%	39.8%	221.2	236.2	6.8%
Inheritance Tax	93.6	81.0	-13.5%	-46.6%	100.4	90.5	-9.9%
Insurance Premium Tax	104.2	98.5	-5.5%	-12.9%	135.4	147.3	8.8%
Cigarette Tax	80.2	79.3	-1.1%	-13.4%	88.0	87.0	-1.1%
Tobacco Tax	6.4	6.8	6.2%	11.1%	7.1	7.3	2.8%
Beer Tax	12.4	12.6	1.6%	1.8%	13.8	14.0	1.4%
Franchise Tax	27.4	30.6	11.7%	-29.2%	30.9	33.4	8.1%
Miscellaneous Tax	3.3	3.6	9.1%	210.2%	1.5	1.5	0.0%
Total Special Taxes	\$ 4,256.9	\$ 4,311.0	1.3%	-2.8%	\$ 4,661.9	\$ 4,729.1	1.4%
Institutional Payments	44.8	15.3	-65.8%	-73.9%	48.6	16.8	-65.4%
Liquor Transfers - Profits	35.5	36.5	2.8%	-12.5%	38.5	40.0	3.9%
Liquor Transfers - 7% Revenues	8.3	8.3	0.0%	0.0%	9.0	9.0	0.0%
Interest	20.4	17.4	-14.7%	-52.2%	25.3	18.0	-28.9%
Fees	63.9	64.7	1.3%	-7.8%	70.2	66.6	-5.1%
Judicial Revenue	45.9	49.0	6.8%	-0.4%	51.9	56.8	9.4%
Miscellaneous Receipts	38.8	38.5	-0.8%	18.7%	42.1	37.8	-10.2%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 4,574.5	\$ 4,600.7	0.6%	-3.5%	\$ 5,007.5	\$ 5,034.1	0.5%